

CalPERS Board Governance Project

Board Powers Reserved

Context

The overall purpose of clarifying “powers reserved” for the board is to support the board in ensuring pension soundness and sustainability by improving the effectiveness and efficiency of the board. A clear description of “powers reserved” for the board should help to focus the board on the work of the board, be comprehensive and strategic and set the stage for the delegation of authority and responsibility to the executive.

This document is based on a review of current policies (CalPERS Governing Principles) and board charters as well as the benchmarking of other public pension funds. The original list presented to the board in July 2011 has been further refined and consolidated based on feedback from both the board and the executive.

This should be considered as a work in progress and is intended to stimulate a dialogue between the board and the executive as to the most appropriate definition of powers reserved for the board and authorities delegated to management.

Potential powers reserved were characterized as one of three types of board responsibility:

- Conduct: the board performs the tasks described.
- Approve: the board has final decision authority on delegated activities.
- Oversee: the board requires adequate and timely information to watch over, scrutinize, and provide direction and support, as appropriate (as distinct from close supervision and day-to-day management), on delegated activities.

The attached list includes potential powers reserved organized by topic rather than the current committee structure as well as the source (existing or new). Once approved in principle, the powers reserved for the board can serve as the basis for organizing the board’s work by committee. It is important to keep in mind that with the exception of the Investment Committee, which has final decision authority, committees recommend to the full board and do not have final decision authority.

Suggested Next Steps

Each of the proposed powers reserved needs to be operationally defined to ensure clarity. In that process, inconsistencies and redundancies may be identified. Some existing powers may need to be delegated to the executive while additional powers reserved may be identified. Part of the process of operationally defining each power reserved ought to also include the definition of information required by the board to effectively conduct, approve or oversee its responsibilities.

Once approved, the powers reserved can also serve as a framework for the board and its committees to build the self-assessment and self-development processes.